

Message Text

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ORIGIN EA-13

INFO OCT-01 SS-14 ISO-00 NSC-10 NSCE-00 EB-03 COME-00

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DRAFTED BY EA/PRCM:PTLINCOLN,JR.:EBS

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COMM - JLEVIN (DRAFT)

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R 281439Z FEB 74

FM SECSTATE WASHDC

TO USLO PEKING

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L STATE 040009

LIMDIS

E.O. 11652: GDS

TAGS: EIND, ETRD, CH, US

SUBJECT: US FERROUS SCRAP EXPORTS TO THE PRC

REF: PEKING 312

1. MATERIAL POUCHED TO USLO DELINEATES POINTS WHICH SHOULD BE MADE TO MINMETALS AND CLARIFIES QUESTIONS RAISED IN REFTEL. FOLLOWING ARE SOME ADDITIONAL COMMENTS ON SPECIFIC REFTEL QUESTIONS, IN THE ORDER RAISED:

(A) 1973 LICENSES WERE VALID FOR 60 DAYS, AND THEREFORE ALL WILL HAVE EXPIRED BY THE END OF THIS WEEK. 1974 LICENSES ARE VALID FOR 90 DAYS. SOME 1973 LICENSES HAVE ALREADY BEEN EXTENDED ONE OR MORE TIMES. A PORTION OF THE CARRYOVER FROM 1973 WAS SHIPPED IN JANUARY AND FEBRUARY, AND IT MAY BE POSSIBLE TO EXTEND SOME 1973 LICENSES FURTHER (DEPENDING ON THE CIRCUMSTANCES--SEE BELOW). HOWEVER, REPEATED LICENSE EXTENSION IS ADMINISTRATIVELY AWKWARD; COMMERCE DOES NOT/WANT TO MAINTAIN AN OPEN-ENDED POLICY ON LICENSE EXTENSION AND WANTS TO CLOSE

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BOOKS ON 1973 PROGRAM AS SOON AS POSSIBLE. IN SOME CASES

EXPORTERS MAY BE RELUCTANT TO FULFILL PRE-JULY 1 CONTRACTS LICENSED UNDER 1973 PROGRAM BECAUSE OF SHARP RISE IN SCRAP PRICES, WHICH HAVE DOUBLED SINCE PROGRAM BEGAN; HENCE, FIRMS WOULD PREFER TO CONCENTRATE ON MORE RECENT CONTRACTS. CHINESE HAVE APPARENTLY SHOWN SOME FLEXIBILITY ON PRICES, BUT THIS IS OF COURSE A MATTER TO BE

RESOLVED BETWEEN MINMETALS AND INDIVIDUAL SHIPPERS.

(B) LICENSE EXTENSION REQUESTS WILL BE CONSIDERED ON A CASE-BY-CASE BASIS. IN ORDER TO EXTEND LICENSE, AN ELEMENT OF EXTREME HARDSHIP MUST BE DEMONSTRATED BY EXPORTER; IT IS THE EXPORTER WHO MUST INITIATE REQUEST FOR EXTENSION. WHILE ADDITIONAL INFORMATION ON PRC SCRAP NEEDS WOULD BE USEFUL TO USG IN ADMINISTERING PROGRAM, WE WOULD HOPE THAT MINMETALS WOULD CONCENTRATE MAINLY ON GETTING EXPORTERS TO SHIP SCRAP WHICH HAS BEEN LICENSED (AND EXPEDITE SHIPPING ARRANGEMENTS) RATHER THAN PRESSING USG ON INDIVIDUAL LICENSE EXTENSION REQUESTS. RE CONTINGENCY RESERVE, WE NEED FROM MINMETALS A SIMPLE INDICATION THAT PRC CAN UTILIZE THIS SCRAP.

(C) ONLY THOSE FIRMS WHICH HAVE A RECORD OF ACTUAL SCRAP SHIPMENTS TO THE PRC PRIOR TO JULY 1, 1973 ARE ELIGIBLE FOR LICENSE ENTITLEMENTS UNDER 1974 REGULAR ALLOCATIONS AND CONTINGENCY RESERVE. (FYI - NOT TO BE PASSED TO CHINESE - THOSE FIRMS ARE COMMERCIAL METALS, LEVIN METALS, PHILIPPS BROTHERS, AND STEEL METALS. END FYI).

2. RE PARA 3 REFTTEL, IT DOES NOT APPEAR FEASIBLE TO MAKE SPECIAL EXCEPTIONS FOR THE PRC REGARDING EXPORTERS ELIGIBLE FOR LICENSES. CASEY

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Decaption Note: 25 YEAR REVIEW
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